

State of California  
BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Division 1. State Board of Equalization-Property Tax  
Chapter 4. Equalization by State Board  
Article 4. Change in Ownership and New Construction

**Rule 462.080. Change in Ownership—Possessory Interests.**

*Authority:* Section 15606, Government Code.

*Reference:* Sections 60, 61, 62 and 67, Revenue and Taxation Code.

**(a) GENERAL RULE.** The creation, renewal, extension, sublease, or assignment of a taxable possessory interest in tax exempt real property for any term is a change in ownership. "Renewal" and "extension" do not include the granting of an option to renew or extend an existing agreement pursuant to which the term of possession of the existing agreement would, upon exercise of the option, be lengthened, whether the option is granted in the original agreement or subsequent thereto. "Assignment" of a possessory interest means the transfer of all rights held by a transferor in a possessory interest.

**(b) EXCEPTIONS.** The following do not constitute changes in ownership of taxable possessory interests:

(1) An interest, whether an estate for years or an estate for life, created by a reservation in an instrument deeding the property to a tax exempt governmental entity.

(2) An renewal or extension of a taxable possessory interest during the reasonably anticipated term of possession used by the assessor in establishing the initial base year value of the interest, in which case, a change in ownership occurs at the end of the reasonably anticipated term of possession used by the assessor to value that interest.

(3) A sublease of a taxable possessory interest for a term, including renewal options, that does not exceed half the length of the remaining term of the leasehold, including renewal options.

(4) The termination of a sublease of a taxable possessory interest with an original term, including renewal options, that did not exceed half the length of the remaining term of the leasehold, including renewal options, when the sublease was entered into.

(5) Any transfer of a sublessee's interest in a taxable possessory interest, with a remaining term, including renewal options, that does not exceed half of the remaining term of the leasehold.

(6) Any transfer of a taxable possessory interest subject to a sublease with a remaining term, including renewal options, that exceeds half the length of the remaining term of the leasehold, including renewal options.

*History:* Adopted June 29, 1978, effective July 3, 1978.

Amended September 26, 1978, effective October 2, 1978.

Repealed Old Rule and Adopted New Rule August 16, 1979, effective August 22, 1979.

Amended November 13, 1979, effective December 6, 1979.

Amended May 5, 1981, effective August 12, 1981.

Amended March 31, 1982, effective June 10, 1982.

Amended May 11, 1994, effective June 10, 1994. Renumbered, formerly 462(e).

Amended February 4, 1997, effective June 11, 1997.